

# GREETINGS



CHAIRMAN OF  
BOARD  
*B.Bold*



ACTING CHIEF  
EXECUTIVE OFFICER  
*Kh.Altai*

## MESSAGE FROM THE BOARD OF CHAIRMAN AND THE ACTING CEO

We would like to express our warm greetings and best wishes to all of you on the occasion of the 20th anniversary of Mongolian Stock Exchange.

During the last 20 years MSE has encountered several challenging years, as well as, even more years of accomplishments. In total, 474 Joint stock companies have been listed on MSE with the stock trading value reaching 262.5 bln MNT, while values of Government and Corporate bond trading reached 215.1 bln MNT respectively. The number of Broker-Dealer companies with special licenses to operate in the Securities market reached 45, and they are currently servicing about 450,000 individual investors and clients. Total dividend distribution has reached 109.6 bln MNT.

Mongolian Government is increasingly recognizing the importance of the capital markets in development of the national economy and focusing on its expansion. We would like to emphasize on the initiative to distribute shares of "Erdenes Tavan Tolgoi" JSC, the holder of massive coking coal deposit, to all citizens of Mongolia and to local private entities, and believe that conducting open-market trading of its shares will accelerate the growth of the capital markets in Mongolia and will be a crucial point of its development.

In the recent years, the Parliament and Government of Mongolia has issued number of important policy documents on development and improvement of current legal environment in the capital market. In order to modernize in compliance with international standards and to enhance the development of the capital markets, the Securities Law is being re-drafted and will soon be submitted to the Parliament. In 2009, the Financial Regulatory Committee of Mongolia has issued "Prime Objectives of the Stock Market Development Program in 2009-2012".

We are focusing on engaging internationally recognized consultants and institutions in processing the draft of applicable rules and regulations as well as drafting of laws. Consequently, this will create a favorable legal environment and better regulation in the capital markets.

In December of 2010, the State Property Committee of Mongolia has signed a long-term Strategic Partnership Agreement with London Stock Exchange Group (LSEG) to restructure and develop the Mongolian Stock Exchange. Based on the agreement, LSEG will cooperate with MSE at the administrative and managerial levels and address the issues that require immediate attention. There is an absolute necessity to create a favorable legal framework for capital markets, improve the market infrastructure and introduce a world-class trading platform to upgrade MSE and the clearing, settlement depository system in line with international standards. It has also become essential to increase domestic capital investment and the competitiveness of the capital market, to enhance liquidity in the market, to protect the interests of investors, to mitigate the non-market risks, as well as, to improve the human resource productivity.

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# INTRODUCTION

## GENERAL RESPONSIBILITY

The core functions of Mongolian Stock Exchange (MSE) are: to list and register securities of joint stock companies, to facilitate securities trade by ensuring IT software and equipment's safety, to organize transparent, fair securities trade, to disseminate securities market related news and data to the public and to protect shareholders and investors rights.

## MISSION STATEMENT

Our mission is to contribute to the development of national economy through establishment of efficient capital market, fair and transparent environment for the trading of wide variety of securities, building opportunities for the state and business entities by serving as an intermediary for public offerings and issuances of capital markets instruments.

## HISTORY

Significant social and economic changes took place during the transition from central planned economy to market economy in Mongolia. One of those changes was the establishment of MSE on January 18, 1991, to assist the process of privatization of state owned enterprises under Mongolian Government's "Center of the Reform Program" initiative.

Auctions officially began on February 7, 1992. During 1992-1995, ownership of 474 state-owned enterprises with total of 96.1 million shares worth 8.3 billion MNT was transferred over to 801,000 citizens through MSE open market operations. Secondary market trading began on August 28, 1995, with bids placed on 451 listed stocks and actual trades on 16 stocks with total turnover of 12.3 thousand shares worth 2.3 million MNT.

Beginning from 1995, several companies out of 474 listed companies on MSE have reorganized their JSC structure to LLC, and, as of the end of 2010, this number came down to 336. Total of 109.6 billion MNT dividends were distributed to the shareholders over the same period of time. In recent years we have evidenced increased interest and willingness among companies to be listed on MSE and issue their shares to public.

Since the establishment of MSE the number of Broker-Dealer companies have been continuously increasing, and, as of the end of 2010 the total number of registered Broker-Dealer Companies in MSE have reached 46.



MSE intends to provide all market participants and investors with equitable and transparent environment, where there are given opportunities to improve their living standards and accumulate wealth through effective utilization of investment vehicles. Every year on March 30th, we celebrate our cause through the observance of Security Owner's Day.

## BOARD OF DIRECTORS

In accordance with State Property Committee's Decree No.257, issued on May 13, 2010, the structure of Board of Directors of MSE, which consisted of representatives of Government agencies, has been changed and enhanced by including independent members from prominent private entities and groups. The following is the current composition of Board of Directors:

### *Chairman of BoD:*

B. Bold Chief Executive Officer, "Newcom" LLC

### *Members of BoD:*

|                   |                                                                        |
|-------------------|------------------------------------------------------------------------|
| Peter Morrow      | Advisor, "Khan" Bank                                                   |
| L. Bolormaa       | Executive Director, "BFAC" LLC                                         |
| U.Ganzorig        | President, Mongolian Financial Markets Association                     |
| George Taylor     | Managing Director, Morgan Stanley Asia Pacific Capital Market Division |
| Stefan Hanselmann | Director, IPAS GiZ                                                     |
| N.Tsogt           | Advocate, "Bonalex" LLC                                                |
| O.Sainjargal      | Specialist, State Property Committee                                   |
| L.Ganbat          | Head of Administrative Department, State Property Committee            |

### *Supervisor:*

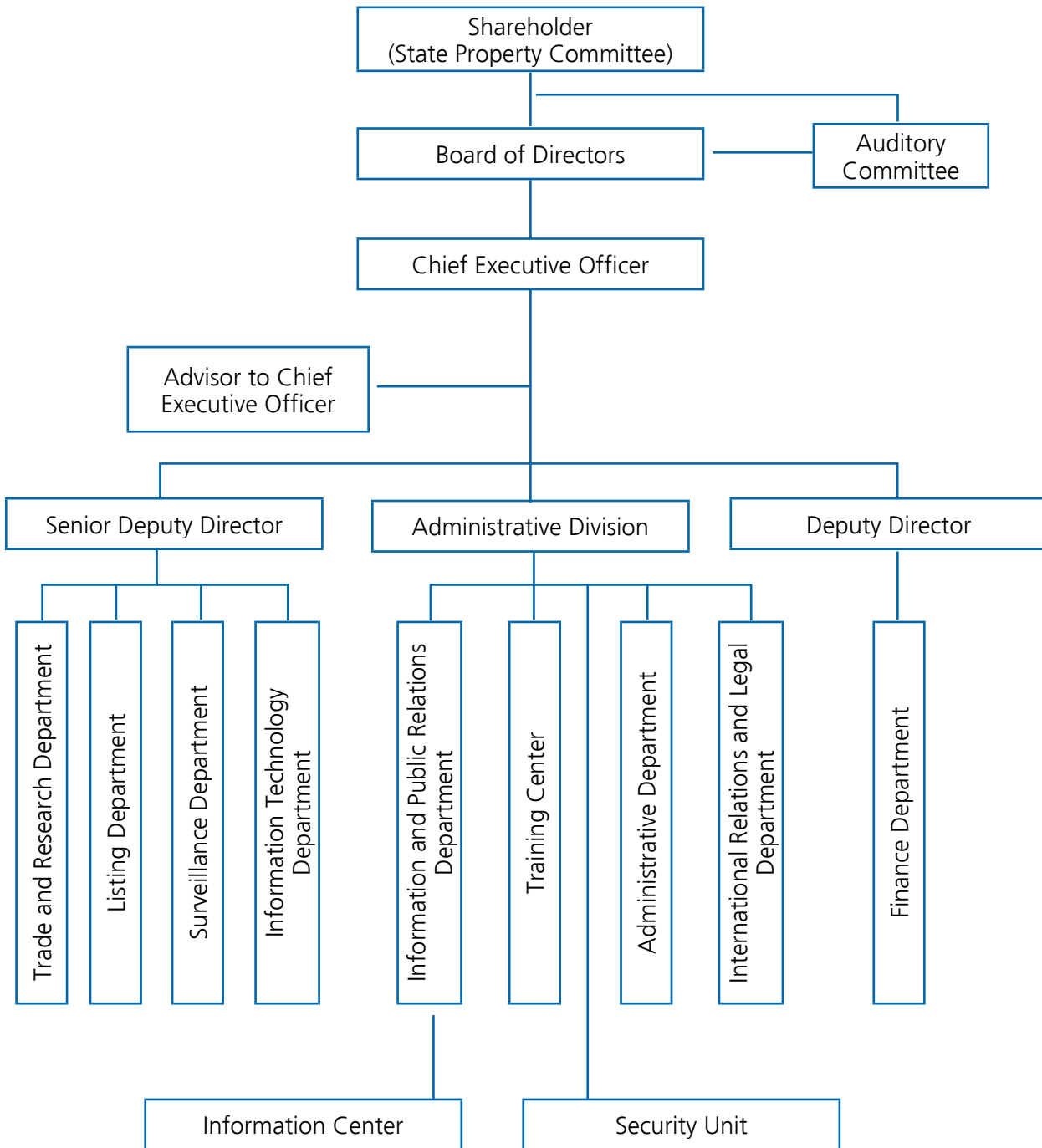
R.Munkhtuya Senior Specialist at Information and Monitoring Department, State Property Committee

Board of Directors of MSE has been set up with task of evaluating and approving business plan, operation plan and fiscal budget, monitoring and determining dividend payment, selecting an internal auditor, and organizing tender evaluation committees on large-scale transactions.

In January 2010, MSE Board of Directors has reviewed the performance levels for the year 2009, confirmed target operation level for 2010, and, per directive of Mongolian Prime Minister S.Batbold, Board of Directors examined and recommended an international managing team following the "Guideline on selection of professional international team to manage operations of MSE JSC through competitive tender bid."



## ORGANIZATIONAL STRUCTURE OF MSE JSC





## DEPARTMENTS AND THEIR FUNCTIONS

### Trade and Research Department:

The Trade and Research Department oversees running of an organized and liquid market for trading securities, monitoring of securities transactions, processing and dissemination of data related to trade orders and executions, support of new product development research, and introduction of new types of products to increase trade volume.

### Listing Department:

The Listing Department administers listing of new securities, compliance of securities to listing requirements, suspension of trades, de-listing of securities, conducting of systemic evaluations on newly listed securities, and also assists development of corporate governance and membership admission process for broker-dealer firms.

### Surveillance Department:

The Surveillance Department is in charge of enforcing rules and regulations, systemic monitoring of listed securities, performing "stock watch" on individual trades, inspecting member broker-dealer companies' operations, reviewing and reaching decisions on complaints, suggestions, requests concerning members and listed companies operations.

### Information Technology Department:

The Information Technology Department manages the development of the trading platform, reviews and applies technological updates and solutions for network safety and back-up security, monitors network traffic, and ensures stable operation of main/back-up servers and hardware equipments.

### Administrative Division:

The Administrative Division oversees distribution of information, public relations, legal matters, international relations and communication, management of human resources, training and development of personnel, archive storage, and the Exchange's security.

### Information and Public Relations Department:

The Information and Public Relations Department administers the dissemination of information with respect to securities market and trading, organization of press conferences and advertising activities, publishing of the monthly magazine and bulletins, and management of Information Center.

### Finance Department:

The Finance Department is responsible for financial management, accounting, bookkeeping, financial statements and other internal services.

## MANAGEMENT TEAM

### MSE's Management Team



Acting Chief Executive Officer  
Kh. Altai



Deputy Director, Head of Finance Department  
D. Munkhtushig



Head of Administration  
G. Saruul



Advisor to Chief Executive Officer, Acting Head of Trade and Research Department  
S. Davaasambu



Head of Information and Public Relations Department  
T. Khulan



Head of Surveillance Department  
T. Munkhtuya



Head of Information Technology Department  
P. Ganzorig

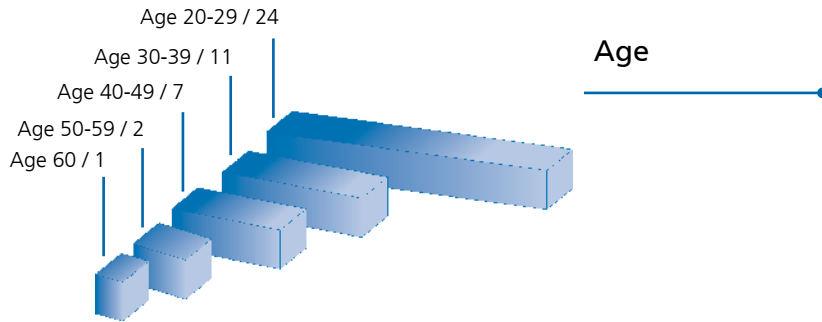


Acting Head of Listing Department  
B. Enkhtuya

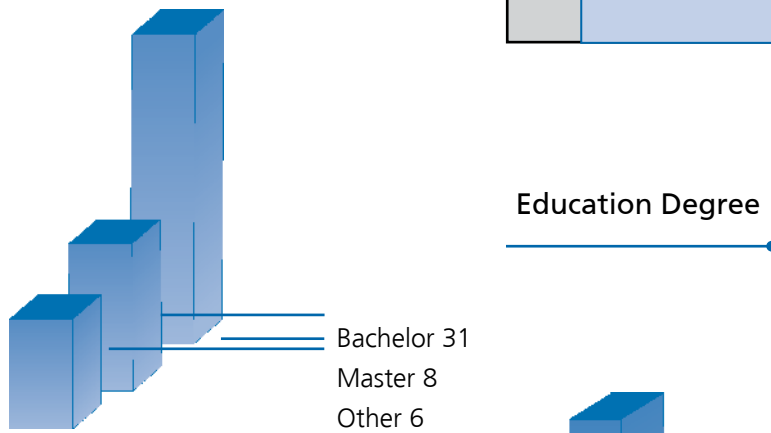
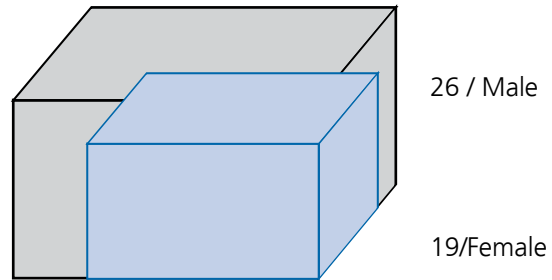


### STRUCTURE OF HUMAN RESOURCES

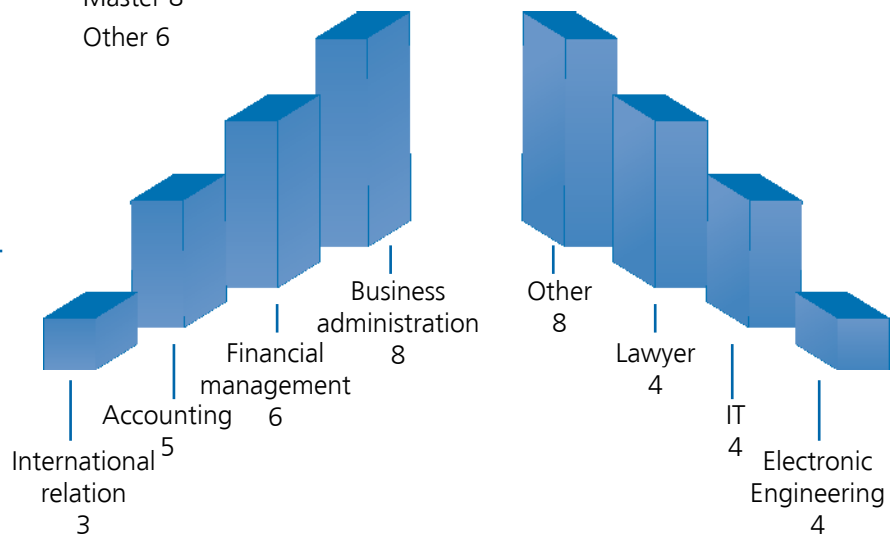
The development of human resources is essential to any organizations' success. MSE currently operates with total of 45 employees, adheres to all relevant administrative principles of human resources and has a set operational strategy, organizational structure, business management and marketing policy.



**Gender Distribution**



**Major**





# 2010 OPERATION REPORT

## LISTINGS AT MSE

### REGISTERED SECURITIES OVERVIEW

| INDICATOR                                                     | 2009          | 2010          | CHANGE        |
|---------------------------------------------------------------|---------------|---------------|---------------|
| Number of listed Companies                                    | 358           | 336           | (22)          |
| - State owned                                                 | 53            | 51            | (2)           |
| -Private                                                      | 305           | 285           | (20)          |
| Volume of Registered Securities                               | 3 097 025 384 | 2 685 572 454 | (411 452 930) |
| -State                                                        | 1 854 619 939 | 1 854 363 339 | (256 600)     |
| -Investors                                                    | 1 242 405 445 | 831 209 115   | (411 196 330) |
| New Listings                                                  | 1             | -             | (1)           |
| Securities volume                                             | 75 494 900    | -             | (75 494 900)  |
| JSD-s that Issued Additional shares                           | -             | 2             | 2             |
| Securities volume                                             | -             | 3 849 989     | 3 849 989     |
| Delistings                                                    | 19            | 22            | 3             |
| Securities volume                                             | 3 632 607     | 259 361 659   | 255 729 052   |
| JSD-s that Announced Tender Offers                            | 2             | 2             | -             |
| Companies that Announced Shareholders Meetings                | 166           | 159           | (7)           |
| Companies that Distributed Dividends                          | 26            | 16            | (10)          |
| Companies that Submitted Balance Sheets                       | 133           | 151           | 18            |
| Companies that Distributed Materials of Shareholders Meetings | 8             | 6             | (2)           |

### COMPANIES THAT ISSUED ADDITIONAL SHARES

|   | Name of Stocks | Volume    | Par Value per Share | Sales Price | Trade Volume | Date of Listing |
|---|----------------|-----------|---------------------|-------------|--------------|-----------------|
| 1 | Hai Bi Oil     | 2 234 268 | 100                 | 174         | 223 426 800  | 2010.10.04      |
| 2 | Nako tulsh     | 1 615 721 | 100                 | 229         | 161 572 100  | 2010.10.04      |

### NEWLY LISTED GOVERNMENT BONDS

| Bond Name      | Nominal Price /MNT/ | Total Value /MNT/ | Coupon Rate | Date of Listing | Day |
|----------------|---------------------|-------------------|-------------|-----------------|-----|
| ZGEB-D-365-206 | 10 000 000          | 15 000 000 000    | 7.50%       | 2010.09.14      | 365 |
| ZGEB-D-546-207 | 10 000 000          | 15 000 000 000    | 7.80%       | 2010.09.14      | 546 |

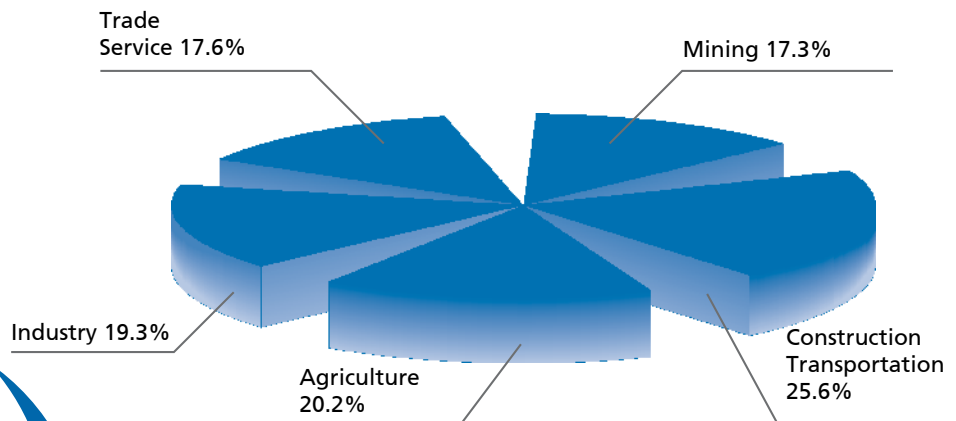
DE-LISTED COMPANIES

|    | Company Name                | Date of De-Listing | Volume of De-Listed Shares | Reason for Delisting        |
|----|-----------------------------|--------------------|----------------------------|-----------------------------|
| 1  | "Shoroon ord" JSC           | 10.02.23           | 119 444                    | JSC → LLC                   |
| 2  | "Undur dov" JSC             | 10.02.23           | 80 707                     | JSC → LLC                   |
| 3  | "Keramzit" JSC              | 10.02.23           | 268 418                    | JSC → LLC                   |
| 4  | "EKHBUT" JSC                | 10.02.23           | 188 961                    | JSC → LLC                   |
| 5  | "Ayanchin" JSC              | 10.02.23           | 81 216                     | Decree of FRC               |
| 6  | "Bayan-Uul" JSC             | 10.02.23           | 154 387                    | Decree of FRC               |
| 7  | "Manzushir" JSC             | 10.02.23           | 15 944                     | Decree of FRC               |
| 8  | "Tsatsral Mon" JSC          | 10.02.24           | 111 813                    | JSC → LLC                   |
| 9  | "Buyant" JSC                | 10.02.26           | 150 766                    | JSC → LLC                   |
| 10 | "Monfresh juice" JSC        | 10.03.04           | 148 320 348                | Unsuccessful primary market |
| 11 | "Khotgor" JSC               | 10.03.05           | 395 719                    | JSC → LLC                   |
| 12 | "Uguuj-Sumber" JSC          | 10.04.08           | 56 536                     | JSC → LLC                   |
| 13 | "Spirt bal buram" JSC       | 10.04.16           | 1 006 542                  | JSC → LLC                   |
| 14 | "Khash ord" JSC             | 10.04.16           | 187 835                    | JSC → LLC                   |
| 15 | "Khorinnaimdugaar baaz" JSC | 10.04.22           | 128 451                    | JSC → LLC                   |
| 16 | "Auto kombinat" JSC         | 10.05.19           | 110 179                    | JSC → LLC                   |
| 17 | "NIC" JSC                   | 10.05.27           | 20 950 960                 | JSC → LLC                   |
| 18 | "Erdenet khivs" JSC         | 10.06.24           | 3 105 573                  | JSC → LLC                   |
| 19 | "Ilch-Arkhantai" JSC        | 10.07.09           | 250 096                    | JSC → LLC                   |
| 20 | "Ardiin Erkh" JSC           | 10.09.21           | 2 656 500                  | Liquidation                 |
| 21 | "Khailaast" JSC             | 10.09.23           | 5 529 361                  | Liquidation                 |
| 22 | "Mongol basalt" JSC         | 10.10.13           | 75 491 900                 | Unsuccessful primary market |

ALL LISTED COMPANIES BY SECTOR

336 listed JSC-s can be divided into the following sectors:

- 25.6 % or 86 JSC – Construction and Transportation
- 20.2 % or 68 JSC - Agriculture
- 19.3 % or 65 JSC - Industry
- 17.6 % or 59 JSC - Trade and Service
- 17.3 % or 58 JSC - Mining



## TRADING STATISTICS

|                                | 2008            | 2009            | 2010              |
|--------------------------------|-----------------|-----------------|-------------------|
| 1. Number of listed companies  | 376             | 358             | 336               |
| 2. Total market capitalization |                 |                 |                   |
| - MNT                          | 515 872 401 400 | 620 705 716 456 | 1 373 946 157 039 |
| - USD                          | 406 996 711     | 430 197 191     | 1 092 879 426     |
| 3. Total trading value in MNT  |                 |                 |                   |
| Stocks                         | 60 349 326 390  | 23 181 478 462  | 62 873 141 553    |
| Government bond                | 1 494 735 758   | 0               | 30 000 000 000    |
| Corporate bond                 | 502 000 000     | 0               | 0                 |
| 4. Total trading volume/units/ |                 |                 |                   |
| Stocks                         | 170 147 608     | 89 916 614      | 64 514 349        |
| Government bond                | 16 060          | 0               | 3000              |
| Corporate bond                 | 50 200          | 0               | 0                 |
| 5. Average trade /for stocks/  |                 |                 |                   |
| - Daily Value                  | 233 912 118     | 90 907 759      | 248 510 441       |
| - Daily Volume                 | 659 487         | 352 614         | 254 997           |
| 6. Top-20 Index                |                 |                 |                   |
| - average                      | 9 722.93        | 5551.93         | 10582.80          |
| - high                         | 13 074.88       | 7937.13         | 15039.97          |
| - low                          | 5 511.01        | 4537.98         | 6144.28           |
| - close                        | 5 583.22        | 6189.91         | 14759.81          |
| 7. Number of accounts in SCHCD |                 |                 |                   |
| - total                        | 435 016         | 443 290         | 453 681           |
| - institutional                | 691             | 725             | 794               |
| - individual                   | 434 325         | 442 565         | 452 887           |
| 8. Number of members           | 41              | 45              | 45                |
| 9. Exchange rate MNT to USD    | 1267.51         | 1442.84         | 1257.18           |
| 10. Inflation rate             | 22.1%           | 4.2%            | 13.0%             |

In 2010, total of 3 thousand Government bonds and 64.5 mln stocks of 136 Joint Stock Companies (JSC) with total transactions worth 92.9 bln MNT exchanged hands during 253 trading sessions at MSE. Stock trading represented some 62.9 bln MNT or 67.7%, and government bond trading represented 30.0 bln MNT or 32.3% of all transactions.

### Stock Trading

As of December 2010, the total value of shares traded reached 62.9 bln MNT indicating an increase of 39.7 bln MNT (71.1% increase) compared to last year. In 2010, out of 136 listed stocks, share prices of 101 JSC-s increased, 22 decreased and 13 remained unchanged.



## 20 MOST ACTIVELY TRADED STOCKS

| Stock Name                      | Volume /thousand/ | Rank | Stock Name                      | Value /MNT in mln/ |
|---------------------------------|-------------------|------|---------------------------------|--------------------|
| Khukh gan                       | 19 891.9          | 1    | Baganuur                        | 21 117.5           |
| Jenco tour bureau               | 8 687.6           | 2    | Sharyn gol                      | 12 422.3           |
| Hermes center                   | 7 894.7           | 3    | Gobi                            | 4 371.0            |
| Naco tulsh                      | 4569.0            | 4    | APU                             | 3 612.8            |
| Baganuur                        | 3 319.5           | 5    | Mongolian Development Resources | 3 368.2            |
| Mongolian Development Resources | 2 994.3           | 6    | Khukh gan                       | 3 039.8            |
| Hai Bi Oil                      | 2 730.3           | 7    | Tavan tolgoi                    | 2 561.9            |
| APU                             | 2 204.6           | 8    | BDSec                           | 2 291.8            |
| Remicon                         | 1 993.2           | 9    | Shivee owoo                     | 1 851.2            |
| Sharyn gol                      | 1 914.4           | 10   | Ulaanbaatar hotel               | 1 547.3            |
| Berkh uul                       | 1 664.8           | 11   | Naco tulsh                      | 1 221.0            |
| Olloo                           | 1 378.0           | 12   | Jenco tour bureau               | 966.6              |
| State department store          | 1 107.8           | 13   | State department store          | 527.3              |
| BDSec                           | 1 010.0           | 14   | Mogoin gol                      | 486.7              |
| Gobi                            | 782.0             | 15   | Hai Bi Oil                      | 475.1              |
| Moninjbar                       | 516.3             | 16   | Hermes center                   | 382.0              |
| Shivee owoo                     | 223.6             | 17   | Bayangol hotel                  | 305.0              |
| Mongol shiltgeen                | 174.2             | 18   | Mongolia Telecom                | 278.5              |
| Makhimpex                       | 101.4             | 19   | Berkh uul                       | 249.7              |
| Mongolia telecom                | 82.8              | 20   | Darkhan nekhii                  | 203.7              |

**Bond trading**

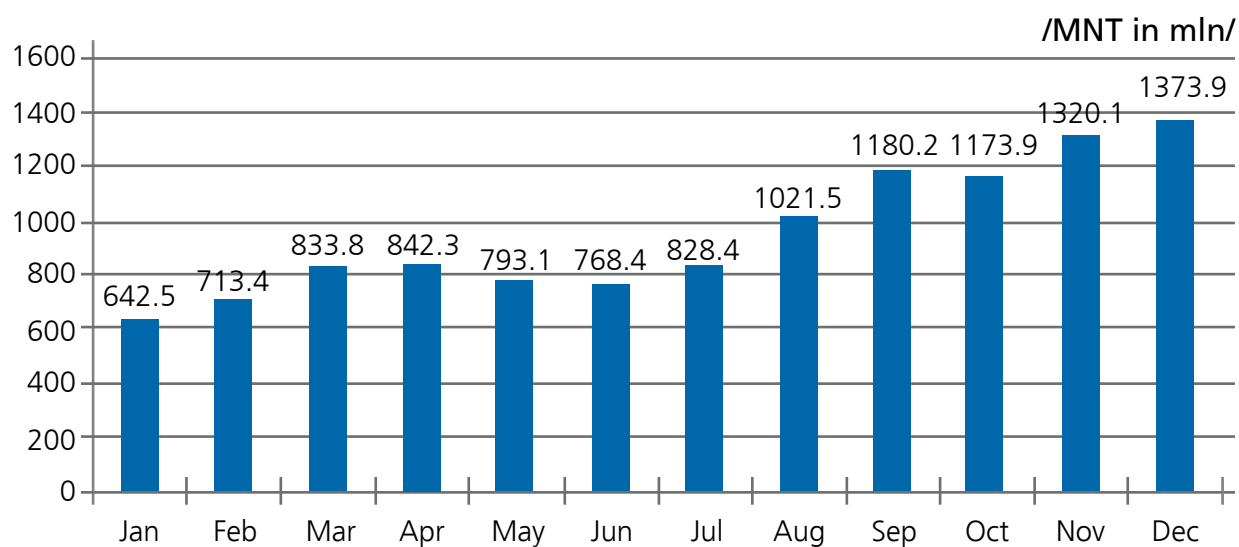
In 2010, total of 3 thousand Government bonds and 64.5 mln stocks of 136 Joint Stock Companies (JSD) has exchanged hands during 253 trading sessions at MSE totalling 92.9 bln MNT in transactions.

On September 17, 2010, total of 3 thousand Government Bonds worth 30.0 bln MNT were successfully offered through MSE to finance "4000 state employees long-term mortgage loan program." 1,500 Government bonds with total par value of 15.0 bln MNT, 365-day maturity, 7.5% coupon rate were successfully sold to public with yield of 7.2%-7.29%; another 1,500 Government Bonds with total par value of 15.0 bln MNT, 546-day maturity, 7.8% coupon rate were successfully offered with yield of 7.79%-7.8%, respectively. Government bonds were offered to public through interest rate bidding method, and 44.2 mln MNT in interest fees were saved as a result of this method.

**Market capitalization**

As of December 2010, total market capitalization of MSE listed companies has reached 1 trillion and 373.9 bln MNT indicating 753.2 bln MNT (2.2-time) increase over 2009 level.

## MARKET CAPITALIZATION



## TOP 20 BY MARKET CAPITALIZATION

| Rank | Stock Name                      | Market Capitalization /MNT in mln/ |
|------|---------------------------------|------------------------------------|
| 1    | Tavan tolgoi                    | 303 351.6                          |
| 2    | Baganuur                        | 220 230.8                          |
| 3    | Shivee oboo                     | 174 448.3                          |
| 4    | APU                             | 147 832.5                          |
| 5    | Telecom Mongolia                | 90 546.0                           |
| 6    | Shariin gol                     | 75 929.6                           |
| 7    | Gobi                            | 43 686.3                           |
| 8    | BDSec                           | 27 500.0                           |
| 9    | Aduunchuluun                    | 25 210.4                           |
| 10   | Anod bank                       | 23 099.3                           |
| 11   | Khukh gan                       | 18 946.4                           |
| 12   | Mongolian development resources | 17 875.0                           |
| 13   | State department store          | 15 827.4                           |
| 14   | Bayangol hotel                  | 10 111.3                           |
| 15   | Eermel                          | 10 003.0                           |
| 16   | Mogoin gol                      | 9 789.5                            |
| 17   | Jenco tour bureau               | 9 400.0                            |
| 18   | Ulaanbaatar hotel               | 9 220.7                            |
| 19   | Remicon                         | 9 190.3                            |
| 20   | Mongol emimpex                  | 8 402.2                            |



### MSE INDEX

In 2010, TOP-20 index's highest point was 15039.97, lowest point was 6144.28 and average point was 10582.80, respectively. On December 31, 2010, TOP-20 index has reached 14759.81 units indicating 8569.9 units (2.4-time) increase over last year.

### TOP-20 index in 2010



From the beginning of 2010 Top-20 index has been increasing continuously, and on September 08, 2010 Top-20 index has reached its highest point in history, or 15039.97 units.

\*Currently Top-20 index is at 32955.00 (February 25, 2011)

## MEMBER COMPANIES

As of 2010, there are 45 Member Broker-Dealer Companies with special rights to operate at MSE; in the same year, "MWTS" LLC has acquired a new seat, and "Erdenest" LLC has suspended its operations.

## Transaction Statistics of Broker-Dealers Companies in 2010

| Broker-Dealer Company     | Purchased              |                     | Rank | Broker-Dealer Company     | Sold                   |                    |
|---------------------------|------------------------|---------------------|------|---------------------------|------------------------|--------------------|
|                           | Volume /thous. shares/ | Value /MNT in mln./ |      |                           | Volume /thous. shares/ | Value /MNT in mln/ |
| BDSec                     | 43 659.1               | 51 152.8            | 1    | BDSec                     | 38 647.8               | 34 049.6           |
| Euroasia Capital Mongolia | 2 180.2                | 2 943.0             | 2    | Global Asset              | 2 330.6                | 5 317.3            |
| Global Asset              | 594.2                  | 1 471.6             | 3    | Delgerkhantai Securities  | 998.4                  | 4 544.0            |
| Gendex                    | 762.7                  | 1 301.4             | 4    | CCP                       | 644.6                  | 4 488.9            |
| Nici                      | 3 552.0                | 790.2               | 5    | Euroasia Capital Mongolia | 2 056.1                | 2 645.4            |
| MWTS                      | 1 758.5                | 565.1               | 6    | Monsec                    | 1 184.4                | 1 854.6            |
| Altan San                 | 1 257.7                | 534.2               | 7    | Bulgan Broker             | 602.1                  | 1 649.7            |
| Monkhan Trade             | 916.2                  | 525.0               | 8    | Tavan Bogd                | 442.0                  | 869.9              |
| Delgerkhantai Securities  | 290.3                  | 368.5               | 9    | Gendex                    | 488.2                  | 863.6              |
| Bulgan Broker             | 300.1                  | 364.1               | 10   | Darkhan Broker            | 2 189.2                | 849.0              |
| Gauli                     | 1 182.6                | 334.2               | 11   | Monkhan Trade             | 1 738.1                | 530.2              |
| Monsek                    | 1 174.4                | 321.6               | 12   | Tulgat Chandmani Bayan    | 970.5                  | 461.6              |
| Bloomsbury Securities     | 387.5                  | 283.2               | 13   | Altan San                 | 248.9                  | 423.6              |
| Masdaq                    | 509.5                  | 253.5               | 14   | Masdaq                    | 497.8                  | 409.9              |
| Darkhan Broker            | 1 666.0                | 231.2               | 15   | Bloomsbury Securities     | 928.7                  | 369.9              |
| Northernsec               | 173.4                  | 190.7               | 16   | MWTS                      | 1 501.4                | 355.2              |
| Tulgat Chandmani Bayan    | 358.9                  | 132.5               | 17   | Khansh Invest             | 647.3                  | 352.0              |
| Khansh Invest             | 261.3                  | 132.1               | 18   | Sanar                     | 700.7                  | 262.4              |
| Zerged                    | 511.4                  | 122.9               | 19   | Arta Invest               | 9.4                    | 245.2              |
| Argai Best                | 178.3                  | 117.3               | 20   | Zerged                    | 529.0                  | 241.3              |
| Bats                      | 599.6                  | 105.7               | 21   | Gauli                     | 877.5                  | 234.9              |
| Sanar                     | 160.0                  | 82.9                | 22   | Northernsec               | 703.9                  | 229.7              |
| Mongol Securities         | 102.9                  | 73.8                | 23   | Argai Best                | 338.6                  | 210.0              |
| Tavan Bogd                | 283.5                  | 64.5                | 24   | Bats                      | 746.7                  | 173.1              |
| Frontier                  | 159.5                  | 57.7                | 25   | Mongol Securities         | 280.6                  | 151.2              |
| MIBG                      | 50.1                   | 55.4                | 26   | Nici                      | 157.1                  | 140.9              |
| ACE and T Securities      | 286.1                  | 52.5                | 27   | Mergen Sanaa              | 323.8                  | 136.9              |
| MICC                      | 89.9                   | 39.5                | 28   | Bumbat-Altai              | 107.7                  | 113.7              |
| Mergen Sanaa              | 158.6                  | 38.7                | 29   | Undurkhaan Invest         | 274.9                  | 110.1              |



|                              |       |      |    |                              |       |       |
|------------------------------|-------|------|----|------------------------------|-------|-------|
| DCF                          | 588.4 | 32.9 | 30 | ACE and T Securities         | 622.7 | 109.9 |
| CCP                          | 136.2 | 27.1 | 31 | MIBG                         | 287.3 | 100.9 |
| Lifetime Investment          | 28.7  | 24.3 | 32 | MICC                         | 146.5 | 62.0  |
| Bumbat-Altai                 | 29.0  | 21.3 | 33 | Erdenest                     | 39.8  | 58.1  |
| TTSec                        | 23.2  | 17.4 | 34 | DCF                          | 851.7 | 48.9  |
| Undurkhaan Invest            | 20.4  | 10.1 | 35 | Finance Link Group           | 214.0 | 43.8  |
| Erdenest                     | 7.7   | 8.8  | 36 | Altan Khoromsog              | 23.5  | 36.9  |
| Monet                        | 21.6  | 8.2  | 37 | FCX                          | 582.0 | 28.8  |
| Finance Link Group           | 67.2  | 5.9  | 38 | Goodsec                      | 59.3  | 24.5  |
| London Asia Capital Mongolia | 1.7   | 4.0  | 39 | Lifetime Investment          | 121.4 | 24.0  |
| Altan Khoromsog              | 12.0  | 3.3  | 40 | TTSec                        | 71.1  | 17.8  |
| Goodsec                      | 10.9  | 2.2  | 41 | Monet                        | 206.9 | 17.4  |
| Sankhuugiin Khugjil Invest   | 1.5   | 0.8  | 42 | Sankhuugiin Khugjil Invest   | 121.3 | 14.5  |
| Arta Invest                  | 1.2   | 0.7  | 43 | Frontier                     | 0     | 0     |
| Zeus Capital                 | 0.1   | 0.1  | 44 | London Asia Capital Mongolia | 0     | 0     |
| FCX                          | 0     | 0    | 45 | Zeus Capital                 | 0     | 0     |
| Tengri Securities            | 0     | 0    | 46 | Tengri Securities            | 0     | 0     |

## DISTRIBUTION OF INFORMATION

MSE disseminates trading information to foreign investors based on "Data Distribution Agreement" with Bloomberg Professional Service on March, 05, 2008. MSE has been among the fastest growing stock exchanges in the world in 2010 according to Bloomberg news agency 2010 World Capital Market Highlights.

Presently, MSE delivers daily trading news and detailed price change information to 32 domestic media organizations.

MSE's web site [www.mse.mn](http://www.mse.mn) operates to provide capital market information to public.

## INTERNATIONAL RELATIONS

MSE joined Federation of Euro-Asian Stock Exchanges (FEAS) on January 10, 1998, and Asia Oceania Stock Exchanges Federation (AOSEF) on April 10, 2008, respectively. Memberships created opportunities to participate in large scale operations arranged by regional organizations and to cooperate with them at all levels.

In 2003, MSE signed its first Memorandum of Understanding (MOU) with Taiwan Stock Exchange Corporation (TSEC). In 2005-2010, MSE signed MOU-s with Gre Tai Securities Market (GTSM), Korea Exchange (KRX), Istanbul Stock Exchange (ISE), Tokyo Stock Exchange (TSE), Hong Kong Exchange and Clearing Limited (HKE), Singapore Exchange Limited (SGX), and Moscow Interbank Currency Exchange (MICEX), respectively.

Within the scope of cooperation, parties held several joint trainings and seminars



and participated in activities organized by the Federation of Euro-Asian Stock Exchanges and Asia Oceania Stock Exchanges Federation. In 2010, MSE concluded "Data Distribution Agreement" with CarryQuote news agency to distribute daily market data. On December 30, 2010, State Property Committee signed "Strategic Cooperation Agreement" with London Stock Exchange Group with a goal of developing Mongolian capital market and improving MSE operations.

## OTHER ACTIVITIES

### *Training Center*

MSE Training Center was established on October 31, 2005. Training Center operates with the purpose of providing basic-to-advanced level education on capital market operations to general public, strengthening MSE's employees' capacity. Main function of Training Center consists of organizing seminars, academic conferences, publishing educational publications, disseminating information to the public and co-operating with local and regional institutes. Since its establishment, Mongolian Stock Exchange's Training Center has conducted 43 basic training courses to general public and 3 advanced training courses for professional participants. In 2010 Training Center has conducted 7 basic-level courses and trained total of 153 people.

### *Information Center*

Information Center's primary function is to distribute information related to listed JSC, Broker-Dealer Companies, professional securities market organizations, and government and non-government organizations to journalists and media organizations accurately and efficiently.

In 2010, Information Center has organized several press conferences and worked extensively to deliver IPO and capital market related news in quick and accurate manner. Information Center has edited and published 10 editions of "Capital Market" monthly journal.



HIGHLIGHTS OF 2010

| 2010.01.15                             | 2010.03.09                                                      | 2010.05.18                                                                                                              | 2010.08.28                                                      | 2010.08.31                                       | 2010.09.08                                                                  | 2010.09.08                                                                       | 2010.11.19                                                     | 2010.12.30                                                                                                                                                   |
|----------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Signs MOU with the city of Ulaanbaatar | Signs MOU with the Ministry of Food and Agriculture of Mongolia | Signs cooperation agreement for exchanging security information with the Security Clearing House and Central Depository | Celebrates the 15 <sup>th</sup> anniversary of Secondary market | Market capitalization reaches 1 trillion tugriks | Top-20 index reaches 15039.97 units indicating its highest point in history | Signs agreement to organize Government Bond trading with the Ministry of Finance | Signs MOU with the Foreign Investment and Foreign Trade agency | State Property Committee signs on "Strategic Cooperation Agreement" with London Stock Exchange Group with the purpose of developing Mongolian Capital market |

FINANCIAL STATEMENT

/MNT in thous/

| Assets                              | 2008                | 2009                | 2010                |
|-------------------------------------|---------------------|---------------------|---------------------|
| Cash                                | 361 482,82          | 138 548,75          | 335 800,91          |
| Accounts receivable                 | 20 969,15           | 18 256,48           | 17 605,81           |
| Inventories                         | 85 226,43           | 67 990,32           | 79 777,85           |
| Current assets                      | 247 148,72          | 238 673,80          | 186 791,30          |
| Total current assets                | 714 827,12          | 463 469,36          | 619 975,86          |
| Fixed assets                        | 2 287 760,36        | 2 378 753,21        | 2 362 135,33        |
| Accumulated depreciation            | (308 969,19)        | (243 234,39)        | (530 992,51)        |
| Total non-current assets            | 1 978 791,18        | 2 135 518,82        | 1 831 142,82        |
| <b>Total assets</b>                 | <b>2 693 618,29</b> | <b>2 598 988,18</b> | <b>2 451 118,68</b> |
| Liabilities                         |                     |                     |                     |
| Accounts payable                    |                     | 728,59              | 760,91              |
| -stock                              |                     |                     |                     |
| -dividend                           |                     |                     |                     |
| -bond                               |                     |                     |                     |
| Other liabilities                   | 1 104,71            | 2 248,40            | 5 258,50            |
| Total current liabilities           | 1 104,71            | 2 977,00            | 6 019,41            |
| <b>Total liabilities</b>            | <b>1 104,71</b>     | <b>2 977,00</b>     | <b>6 019,41</b>     |
| Shareholders' equity                |                     |                     |                     |
| Equity: State                       | 1 867 708,80        | 1 867 708,80        | 1 867 708,80        |
| Special fund                        | 8 332,88            |                     |                     |
| Retained earnings:                  |                     | 639 446,07          | 551 667,21          |
| current period                      | 240 178,56          |                     | 23 207,01           |
| for previous period                 | 567 843,35          | 639 446,07          | 528 460,20          |
| Revaluation of fixed assets         | 8 450,00            | 88 856,32           | 25 723,26           |
| Total equity                        | 2 692 513,58        | 2 596 011,19        | 2 445 099,27        |
| <b>Total liabilities and equity</b> | <b>2 693 618,29</b> | <b>2 598 988,18</b> | <b>2 451 118,68</b> |

## REVENUE STATEMENT

/MNT in thous/

| Revenues                                       | 2008              | 2009                | 2010              |
|------------------------------------------------|-------------------|---------------------|-------------------|
| Securities transaction commission of:          |                   |                     |                   |
| securities trading                             | 552 288,58        | 176 294,74          | 463 699,85        |
| off-exchange trading                           |                   |                     |                   |
| Fees                                           |                   |                     |                   |
| listing, member companies, research            | 208 154,23        | 104 861,67          | 75 244,07         |
| Other revenues                                 | 98 470,51         | 89 692,12           | 102 331,28        |
| <b>Total revenues</b>                          | <b>858 913,33</b> | <b>370 848,53</b>   | <b>641 275,20</b> |
| <b>Expenses</b>                                |                   |                     |                   |
| Salary, social insurance, incentives           | 186 239,51        | 211 895,48          | 223 409,61        |
| Utilities (electricity, gas, water)            | 13 112,16         | 20 272,74           | 13 600,78         |
| Business trip, Board expenses                  | 53 603,97         | 39 353,98           | 29 951,27         |
| Transportation, fuel, repairs                  | 50 562,27         | 13 739,27           | 26 290,60         |
| Raw materials                                  | 12 648,93         | 15 970,94           | 35 426,12         |
| Depreciation                                   | 85 058,15         | 98 054,91           | 113 848,70        |
| Advertising and promotion, training            | 22 684,38         | 21 954,06           | 21 514,54         |
| Printing-and postage                           | 12 213,62         | 12 239,61           | 26 165,68         |
| Other expenses                                 | 118 515,21        | 94 812,53           | 121 990,08        |
| <b>Total expenses</b>                          | <b>554 638,22</b> | <b>528 293,54</b>   | <b>612 197,39</b> |
| <b>Operating profit/loss</b>                   | <b>304 275,11</b> | <b>(157 445,01)</b> | <b>29 077,81</b>  |
| Non-operating revenue                          | (64 053,89)       | (17 053,94)         | (2 079,26)        |
| Exchange rate gain/loss                        | (42,66)           | 730,90              | (1 212,98)        |
| Total non-operating expenses                   | (64 096,55)       | (16 323,04)         | (3 292,24)        |
| Exchange rate changes, others                  |                   |                     |                   |
| Extra- ordinary income                         |                   |                     |                   |
| Extra-ordinary expenses                        |                   |                     |                   |
| Profit before provision for Tax                | 240 178,56        | (173 768,05)        | 25 785,57         |
| Income tax expenses                            |                   |                     | 2 578,56          |
| <b>Net profit / loss for accounting period</b> | <b>240 178,56</b> | <b>(173 768,05)</b> | <b>23 207,01</b>  |



## CURRENT DEVELOPMENTS

### Strategic Partnership between London Stock Exchange Group and Mongolian Stock Exchange

London Stock Exchange Group (“LSEG”) and Mongolian Stock Exchange (“MSE”) signed an exclusive Strategic Partnership Agreement to restructure and develop the MSE as well as Mongolian capital market. The Parties will initially collaborate on the Partnership for the three year period.

The project’s goal is to establish the Mongolian capital market as a world class market with the Mongolian stock exchange operating according to internationally accepted standards and participating as one of LSEG Group’s key partners in Asia. The Government of Mongolia seeks to significantly expand capital markets activity in Mongolia in order to privatize state-owned enterprises, monetize minerals related state assets and support dual listing of internationally listed companies operating in Mongolia. During the first phase of the project, LSEG will collaborate with MSE in the modernization and privatization of the Exchange and the Mongolian Clearing House and Central Depository.

The followings are the scope of the partnership:

- Jointly manage the day to day operations of the market
- Suggest advice on improvement of the market’s laws, rules and procedures
- Improve the market structure, management and operation
- Implement advanced automated market surveillance, trading and settlement of equities and debt
- Integrate the MSE trading environment with clearing, settlement and depository facilities
- Conduct a comprehensive training program
- Provide advice ( together with third party professional advisors) on improving standards for professional services such as financial audit and law for MSE registered companies
- Provide technical assistance to MSE to install provisions for maintaining transparency of MSE-registered companies’ data, registration requirements and good governance in Mongolian securities market legal framework, and ensure its implementation
- Support MSE in attracting companies for listing and initial public offering on MSE
- Create pre-conditions for dual-listing of securities on the London and Mongolian markets
- Create a Mongolian market index for the International market
- Participate in marketing the MSE
- Implementing an international standard Mongolian market index
- Create pre-conditions for interlinking the London and Mongolian markets